



The Subcommittee on Human Rights and Wellness

Chairman Dan Burton (R ~ IN)

<http://www.house.gov/reform>



For Immediate Release:
June 24, 2003

Contact: Nick Mutton
(202) 225-2276

“THE ECONOMICS OF THE PHARMACEUTICAL INDUSTRY IN THE UNITED STATES”

“Americans deserve world-class prescription drugs at world market prices.”

Washington, D.C. – The Congressional Budget Office (CBO) estimates seniors will spend \$1.8 trillion on prescription drugs over the next ten years. With drug prices increasing at approximately 17 percent each year, many seniors are justifiably concerned about their futures. Truly open markets for prescription drugs could save seniors at least 35 percent off the CBO's estimated \$1.8 trillion – that is a savings of \$630 billion.

Congressman Dan Burton (R-IN-5), Chairman of the House Government Reform Subcommittee on Human Rights and Wellness, will hold a hearing entitled, **“The Economics of the Pharmaceutical Industry in the United States,” on Wednesday, June 25, 2003, in Room 2247 of the Rayburn House Office Building at 2:00 p.m.**

“With an aging population and 108 million Americans managing at least one chronic health condition - such as heart disease, diabetes, asthma, or high blood pressure – dependence on prescription drugs has risen dramatically,” stated Burton. “Yet, despite the growing need and demand for prescription drugs, the prices of pharmaceuticals are higher in the United States than in any other country in the world.”

On April 3, 2003, and again on June 12, 2003, the Subcommittee heard testimony from several witnesses regarding the high price of pharmaceutical drugs here in the United States, and the increasing number of Americans turning to Canada for more affordable ways to fill their prescriptions. The Subcommittee's June 25, 2003, hearing will focus on retail prices of prescription drugs in the United States, as well as explore the reasons why Americans pay remarkably higher prices for their drugs than citizens of Canada and Europe. Additionally, the Subcommittee will hear testimony on cost containment remedies other than price controls.

Many pharmaceutical industry representatives contend that Americans should pay more for prescription drugs because U.S. profits support the Research and Development (R&D) programs of the entire industry. Explanations are lacking as to why U. S. patients, and only U.S. patients, should bear that research and development cost burden for the entire world, while patients in other developed countries enjoy bargain prices by comparison.

According to the pharmaceutical industry, it costs between \$500 million and \$800 million to bring new drugs to the market. That figure, however, fails to take into account the multiple subsidies the industry receives from the Federal government, including massive research assistance from the National Institutes of Health and other tax supported health agencies, tax deductions for the cost of doing business, and research tax credits.

Paying the world's highest prices simply constitutes a fourth subsidy provided by the American people to an industry that is perhaps one of the world's most profitable. Even during the recent economic downturn, the top 10 drug companies reported a 33 percent increase in profits, going from \$28 billion in 2001 to \$37.3 billion in 2002. On average, the drug industry spent 12.5 percent of that income on R&D, collected 18.5 percent as pure profit and spent 32 percent on advertising. The numbers do not lie. It is evident that the exorbitantly higher prices American consumers pay are not being used to supplement or fund R&D efforts, as purported by the pharmaceutical industry.

Concluded Burton, "I believe Congress should refocus our own agency, the Federal Food and Drug Administration (FDA), on its fundamental mission of protecting public health, while at the same time opening up the United States to modern, industrialized markets for FDA-approved prescription drugs from FDA-approved facilities. As Americans we expect competitive prices for our products to be provided by free markets. Congress should act immediately to open up the prescription drug market fully and completely. Americans deserve world-class prescription drugs at world market prices. "

PANEL ONE WITNESS:

The Honorable Gil Gutknecht (R-MN-1)
U.S. House of Representatives
Washington, DC

PANEL TWO WITNESSES:

Mr. James Love
Economist, Consumer Project on Technology
Washington, DC

Dr. Stephen Schondelmeyer
Professor of Pharmaceutical Economics, University of Minnesota
Minneapolis, MN

Mr. William Vaughan
Director, Government Affairs, Families USA
Washington, DC

Mr. Stephen Moore
Senior Economic Fellow, CATO Institute
Washington, DC

This is the third in a series of hearings conducted by the Subcommittee to examine both the problems involved in allowing re-importation of prescription pharmaceuticals from Canada, and potential solutions to those problems. For more information, or to look at previous hearing resource materials, please visit Congressman Burton's designated healthcare section on his website at <http://www.house.gov/burton/healthcare.htm>.